

STEPS TO SUCCESS, INC.
Financial Statements
June 30, 2019
(With Comparative Totals for 2018)

STEPS TO SUCCESS, INC.
FINANCIAL STATEMENTS
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

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To the Board of Directors of
Steps to Success, Inc.
Brookline, MA

Independent Auditors' Report

We have audited the accompanying financial statements of Steps to Success, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

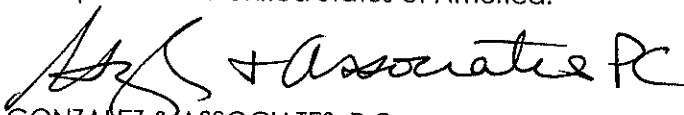
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Steps to Success, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



GONZALEZ & ASSOCIATES, P.C.
Certified Public Accountants

Stoughton, Massachusetts
October 17, 2019

STEPS TO SUCCESS, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

ASSETS

	<u>2019</u>	<u>2018</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 273,475	\$ 452,763
Accounts receivable	13,890	15,996
Pledges receivable	7,500	33,250
Prepaid expenses	8,316	12,376
Investments	56,507	
Total current assets	<u>359,688</u>	<u>514,385</u>
<u>Fixed Assets</u>		
Furniture & equipment	11,395	11,395
Less: accumulated depreciation	(6,837)	(4,558)
Total furniture and equipment	<u>4,558</u>	<u>6,837</u>
<u>Total Assets</u>	<u>\$ 364,246</u>	<u>\$ 521,222</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 34,300	\$ 35,956
Total current liabilities	<u>34,300</u>	<u>35,956</u>
<u>Net Assets</u>		
Without donor restrictions	217,336	331,847
With donor restrictions	112,610	153,419
Total net assets	<u>329,946</u>	<u>485,266</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 364,246</u>	<u>\$ 521,222</u>

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Support and Revenue</u>				
Contributions and grants	\$ 254,740	\$ 128,500	\$ 383,240	\$ 422,768
Released from restrictions	169,309	(169,309)		
Special events	113,061		113,061	135,660
Contracts	108,449		108,449	69,183
Program service fees	7,025		7,025	14,158
In-kind donations	50,000		50,000	50,000
Interest and dividend income	1,932		1,932	1,181
Unrealized gain on investments	1,409		1,409	
<u>Total Support and Revenue</u>	<u>705,925</u>	<u>(40,809)</u>	<u>665,116</u>	<u>692,950</u>
<u>Expenses</u>				
Program services	526,813		526,813	555,537
General and administrative	138,055		138,055	149,492
Fundraising	155,568		155,568	155,094
<u>Total Expenses</u>	<u>820,436</u>		<u>820,436</u>	<u>860,123</u>
<u>Change in Net Assets</u>	<u>(114,511)</u>	<u>(40,809)</u>	<u>(155,320)</u>	<u>(167,173)</u>
<u>Net Assets - Beginning of Year</u>	<u>331,847</u>	<u>153,419</u>	<u>485,266</u>	<u>652,439</u>
<u>Net Assets - End of Year</u>	<u>\$ 217,336</u>	<u>\$ 112,610</u>	<u>\$ 329,946</u>	<u>\$ 485,266</u>

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018	
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 336,770	\$ 36,092	\$ 76,969	\$ 449,831	\$ 494,124
Fringe benefits	24,548	2,618	5,565	32,731	34,802
Payroll taxes	26,995	2,879	6,119	35,993	45,524
Total salaries and related expenses	<u>388,313</u>	<u>41,589</u>	<u>88,653</u>	<u>518,555</u>	<u>574,450</u>
Administrative fees		885	50	935	1,586
Bank charges		2,482		2,482	1,942
Consultants	17,670	21,730	33,605	73,005	59,576
Depreciation	1,709	182	388	2,279	2,279
Direct mailing expenses		2,126	826	2,952	6,733
Dues and subscriptions		2,109		2,109	1,282
Fundraising		501		501	1,261
In-kind rent	37,500	4,000	8,500	50,000	50,000
Insurance	3,462	4,824	785	9,071	5,938
Office expense		7,551		7,551	2,812
Payroll processing fees		2,510		2,510	1,040
Postage	838	638	1,424	2,900	3,731
Printing		1,468	2,169	3,637	7,200
Professional development	1,014	1,950		2,964	2,614
Professional fees		42,735		42,735	38,487
Program expenses	37,854			37,854	45,550
Program supplies	24,551			24,551	16,667
Special event			15,583	15,583	13,988
Stipends	13,314			13,314	13,635
Telephone and internet		30	104	134	1,350
Travel	588	108		696	1,596
Website & software subscriptions		637	3,481	4,118	6,406
Total	<u>\$ 526,813</u>	<u>\$ 138,055</u>	<u>\$ 155,568</u>	<u>\$ 820,436</u>	<u>\$ 860,123</u>

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (155,320)	\$ (167,173)
Adjustment to reconcile change in net assets to cash provided (used) by operations:		
Depreciation	2,279	2,279
Unrealized (gain) on investments	(1,409)	
Donated stock	(4,960)	
(Increase) decrease in:		
Accounts receivable	2,106	(15,996)
Pledges receivable	25,750	152,650
Prepaid expenses	4,060	(10,603)
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,656)	28,471
<u>Net Cash (Used) by Operating Activities</u>	<u>(129,150)</u>	<u>(10,372)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of investments	(50,138)	0
<u>Net Cash (Used) by Investing Activities</u>	<u>(50,138)</u>	<u>0</u>
<u>(Decrease) in Cash and Cash Equivalents</u>	<u>(179,288)</u>	<u>(10,372)</u>
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>452,763</u>	<u>463,135</u>
<u>Cash and Cash Equivalents - End of Year</u>	<u>\$ 273,475</u>	<u>\$ 452,763</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes and Independent Auditors' Report.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 1. Organization

Steps to Success, Inc., was organized in the Commonwealth of Massachusetts as a not-for-profit corporation in July, 2014. The stated purpose of the Organization is to promote equity for students from low-income families in Brookline by expanding their horizons, building upon their skills, and supporting their educational journey in order to maximize their life choices.

Founded in 2001, the mission of Steps to Success, Inc. (STS) is to promote equity for Brookline's students from low-income families by expanding their horizons, building upon their skills, and supporting their educational journey in order to maximize their life choices. Together with our lead partners, the Public Schools of Brookline (PSB) and Brookline Housing Authority (BHA), STS tackles the seemingly intractable opportunity gap between low-income students and their higher-income peers.

STS helps students living in Brookline's public housing units thrive academically in grade school, matriculate in college, and obtain a college degree. STS has served more than 4,000 students to date, through out of school time programs such as afterschool, vacation programs and camp access, career readiness through paid internships and workshops, and college success through advising, mentoring, and financial aid access. In the past decade, STS has eliminated the college matriculation gap between low- and high-income Brookline students. Because of the long-term investment in our students, both in and out of school, 89% of Steps to Success students are on track to graduate from college within 6 years, versus 11% of low-income students nationwide.

In FY19, STS invested more heavily in capacity-building projects for the organization, including developing its first ever strategic plan, a development plan and stronger financial reporting, and a new student database. These one-time investments help chart the next three years for Steps to Success, Inc., including organizational goals, a fundraising plan to achieve long-term sustainability, and a database that allows for improved outcomes tracking.

Note 2. Summary of Significant Accounting and Reporting

- a. Standards of Accounting and Reporting
The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".
- b. Basis of presentation
The financial statements of Steps to Success, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Steps to Success, Inc. to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Steps to Success, Inc.'s management and the board of directors.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(Continued)

Note 2. Summary of Significant Accounting and Reporting (Continued)

b. Basis of presentation (continued)

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Steps to Success, Inc. or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

c. Compensated Absences

Employees of the Organization are entitled to paid vacation, paid sick, and personal days off, depending on their job classifications. None of these benefits vest, therefore, vacation and sick leave are expensed as incurred.

d. Cash and Cash Equivalents

For purposes of the statements of cash flows, Steps to Success, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

e. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(Continued)

Note 2. Summary of Significant Accounting and Reporting (Continued)

g. Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, insurance, in-kind rent, and depreciation, which are allocated on the basis of estimates of time and effort.

h. Property and Equipment

These assets are recorded at cost, when purchased or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized.

i. Depreciation

Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful life of the asset. Equipment is being depreciated over five years.

j. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

k. Fair Value

The Organization follows the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 820 "Fair Value Measurements and Disclosures", for assets and liabilities that are measured at fair value on a recurring basis, and to determine fair value disclosures. The standard defines fair value and it establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The standard applies to certain other existing pronouncements that require or permit fair value measurements. It does not establish or change any existing requirements for fair value accounting.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value accounting standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three tiers are defined as:

- Level 1 – Observable inputs such as quoted prices in active markets.
- Level 2 – Inputs other than Level 1 inputs that are observable, whether directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable markets.

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(Continued)

Note 2. Summary of Significant Accounting and Reporting (Continued)

k. Fair Value (continued)

- Level 3 – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions and are significant to the fair measurement.

The Organization's investments are valued based on Level 1 inputs within the fair value hierarchy.

l. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Steps to Success, Inc. has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

m. Summarized Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended 2018 from which the summarized information was derived.

n. Reclassification

Certain amounts in the prior period financials have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported net loss but provide a more appropriate presentation of the financial statements of the organization.

Note 3. Tax Status

Steps to Success, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(Continued)

Note 4. Concentration of Credit Risk

The Organization maintains its cash balances in two financial institutions. The financial institutions' balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2018 the Organization's uninsured cash balances at the financial institution totaled \$24,677 and \$212,724, respectively. Management believes it is not exposed to any significant credit risks on its cash balances.

Note 5. Availability and Liquidity

The following represents Steps to Success, Inc.'s financial assets at June 30, 2019 and 2018:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 273,475	\$ 452,763
Accounts receivable	13,890	15,996
Pledges receivable	7,500	33,250
Investments	56,507	
Financial assets available to meet general expenditures over the next twelve months	\$ 351,372	\$ 502,009

Steps to Success, Inc.'s goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$204,800). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient support and revenue to cover general expenditures not covered by donor-restricted resources.

Note 6. Pledges Receivable

Pledges receivable in the amount of \$7,500 were due to the Organization at year end and are expected to be received in less than one year.

Note 7. Investments

Steps to Success, Inc. maintains an investment account. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes the investment policy is prudent for the long-term welfare of the Organization. Equities held at the brokerage are insured up to \$500,000 by the SIPC. Investments are carried at quoted market values as summarized below:

	Cost	FMV
Mutual Funds	55,098	56,507
Total	\$ 55,098	\$ 56,507

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(Continued)

Note 7. Investments (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities for the year:

Interest and dividends	\$	1,932
Net unrealized gains		1,409
Net investment income		3,341

Note 8. Net Assets

Net assets with donor restrictions were as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Specific Purpose		
Jim Fitzgibbons Fund	\$ 109,110	\$ 139,110
Strategic Planning		4,817
Extended Learning Program	3,500	
Passage of Time		
Fiscal year 2019		9,492
Total	\$ 112,610	\$ 153,419

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Satisfaction of Purpose Restrictions		
Annual Gala	\$	\$ 1,000
College Bound Book Award	10,000	10,000
College Success Initiative	15,000	15,000
Cradle to Career	50,000	50,000
Extended Learning Program	10,000	16,500
Jim Fitzgibbons Fund	16,242	
Other Programs		4,878
Partnership	5,000	
Strategic Planning	4,817	25,183
Summer Connections	5,000	
Summer Interns	20,000	20,000
Satisfaction of Time Restrictions		
Pledges receivable	33,250	59,900
Fiscal year 2018		126,508
Total	\$ 169,309	\$ 328,969

STEPS TO SUCCESS, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

(Continued)

Note 9. Contributions In-kind

The Public Schools of Brookline provides in-kind space for completing the mission and work of Steps to Success, Inc. The Organization has recorded in-kind revenue and expense, based on the estimated fair value of the space provided. This in-kind space totaled \$50,000 for the year ended June 30, 2019.

Note 10. Retirement Plan

The Organization maintains a Savings Incentive Match Plan for Employees (SIMPLE IRA) to which eligible employees may elect to make contributions under salary reduction agreements. For those employees electing to participate, the Organization makes matching contributions on behalf of the participant of up to 3% of compensation for employees after one year of service and 1% of compensation for employees who have less than one year of service. Employees are qualified to participate in the Plan if they are at least twenty-one years of age and have or will earn more than \$5,000 within the year. Matching contributions are made based on the organizations performance each year. Matching contributions for the year ended 2018 totaled \$7,575. There was no matching contribution for the year ended June 30, 2019.

Note 11. Date of Management's Review

Subsequent events were evaluated through October 17, 2019, which is the date the financial statements were available to be issued.